RV Bulletin

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NOVEMBER 14, 1988

RVIA's Market Plan Stresses 'Open House'

The centerpiece of RVIA's 1989 Market Expansion Program, to be coordinated by the Burson-Marsteller public relations firm, will be a National Dealer Open House, according to B.J. Thompson, president of both the RVIA public relations committee and B.J. Thompson and Associates, Mishawaka, Ind.

Thompson explained that the National Dealer Open House will be a six-week spring promotion scheduled to run from April 8 to May 20. It will involve a nationwide consumer sweepstakes, slated to culminate in the campaign's final week, May 13-20, during which participating dealers will hold an open house and invite potential buyers to come in, view their products and register for one of several sweepstakes prizes.

Customers who register will be eligible to win one of 10 grand prizes, consisting of one week of free rental of an RV unit and one week of free campsite accommodations. Fifty Weber grills will also be given away as first prizes, and there will be 100 Polaroid cameras given away as second prizes. In total, nationwide there will be 160 prizes. Thompson added that the national campaign will be supported by a *USA Today* "advertorial," which will address the RV lifestyle in general and provide consumers with specifics on the national RV open-house celebration.

"Also built into the program," said Thompson, "is a plan that will provide incentives for dealer participation. Those who choose to participate will need to sign up for a promotion kit

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LOUISVILLE PRE-SHOW GUIDE: Our preview of the National RV Trade Show in Louisville, Ky., highlights events, seminars, exhibitor listings and floorplans. See page 93.

Second-Home Interest Deduction For RVs Under Attack Again

A proposal by a House conference committee would limit the total amount that a taxpayer can write off with a second-home interest deduction, renewing industry concern that the deduction now enjoyed by RV owners will become a prime target when Congress reconvenes in January.

In late summer, House conferees suggested a plan to limit the total second-home interest deduction to no more than $15,000 per year. Conferees estimated the proposal would produce an additional $15.1 billion in revenue from 1989-93.

"Although the impact from that proposal would not be extensive as far as RVs are concerned," said Ed Conway, assistant general counsel for RVIA, "what is interesting is that very few objections were raised. As a

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AUGUST GAINS, BUT IS IT REAL?

MORTON J. MARCUS

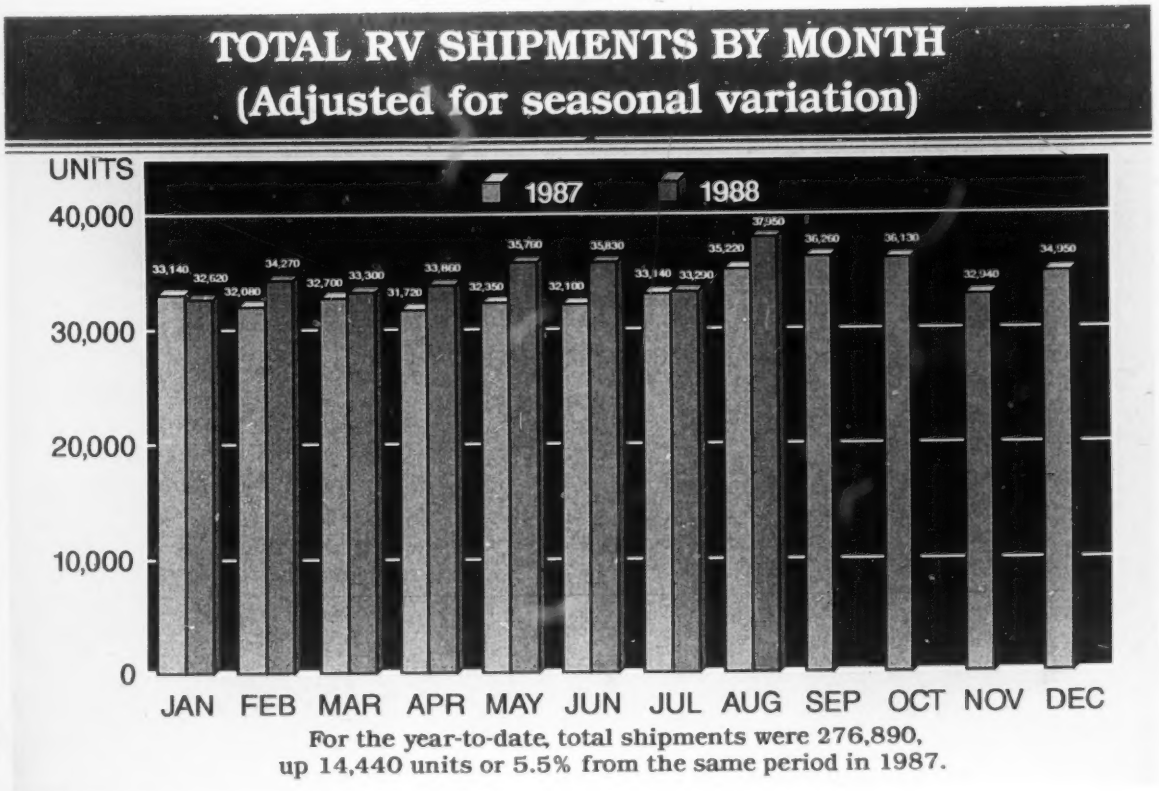

Figure 1

We are tempted to put a warning from the Surgeon General on this article — Caution: Statistical analysis can be hazardous to your business health. Reading beyond this point could cause you to believe wonderful things are happening in the RV business. Such good feelings could cause delusions of profits.

You have been warned! Now for August's good tidings:

In August, the industry shipped 35,500 units, according to RVIA. That was a good 8% increase over July before adjustment for seasonal factors. But after such adjustment, August's total was an even stronger 37,950 units, or a 14% increase over July.

Simply put, August appears to have been the strongest single month in more than three years.

We could go into the many facets of this sparkling good news. For example, this August was more than 2,700 units (7.8%) ahead of August of last year. (See *Figure 1*.) In addition, this August was nearly 24% ahead of August 1986. And for the year-to-date, shipments were more than 14,000 units (5.5%) ahead of the same eight-month period of last year.

But, whenever results, particularly those for a single month, are based strongly on statistical procedure, we have a duty to examine those results more closely.

The Industry in Detail

The strong showing for August was widespread. (See *Figure 4*.) Eight of the eleven RV types tracked were up during the month from July levels. Van conversions, in particular, did well. RVIA figures for August showed van-conversion shipments up by 7% from July, when our analysis of the seasonal patterns for van conversions would lead us to expect a decline of 12% as normal. Thus, on a seasonally adjusted basis, van conversions advanced by more than 20% in August.

Two other examples make the point even more clear. Conventional travel trailers usually decline by 18% between July and August; this year the decline in actual shipments was just 8%. Class C mini-motorhomes usually advance by just 4% in August over July, but this year they jumped by 29% for the month.

This was not a normal August. Should we then discount the strong performances of August as an aberration? Probably not.

August was the seventh consecutive positive month for the industry. So far this year, only January has failed to match the same month of a year earlier. Thus, the strong increase in units shipped in August was consistent with the experience of the RV

GRAPHICS: CUSTOM COLOR VISUALS

industry for the whole year.

In addition, we need to see August in light of the less strong performance of July. July registered a very weak advance. The steady pattern of growth, demonstrated from March on, was broken in July. There was a progressive advance in shipments during the spring and early summer; then July came in well below June and just slightly up from a year earlier.

If we view the months of July and August together, neither is surprising. July shipments plus August shipments average out at 35,600 units, just about in line with May and June. Instead of seeing July and August as lows and highs, they are probably best seen as statistical twins, not identical but of the same origin.

At this point, before we declare August as a spectacular month and a sign of great things to come, it would be well to recognize that monthly data are always difficult to interpret. The end of a month occurs arbitrarily, and what happens on one or the other side of that dividing line is hard to understand as being very significant. For example, if you keep your books on a cash basis, a check on its way in the mail to you is not revenue for you, although it may be an expenditure to the check writer.

The Year Still Looks Strong

Although we cannot proclaim a breakout of good tidings, the data for August shipments did confirm the selective health of the industry in 1988.

As a group, towables were running more than 5,300 units ahead of 1987 by August, and they picked up a small amount of market share. *(See Figure 2.)*

Van conversions were close to 10,300 units ahead of last year at this time and made a 1.3-point gain in market share.

The van-conversion gain in market share was at the expense of motorhomes, which were the weak spot in the industry. As of August, motorhomes were down, but only by 1,200 units. There was no clear pattern to that decline: Class A units and Class C minimotorhomes were up, while Class B van campers, low-profile Class C's and micro-minis were down.

With all the good news from the August shipment data, we need to note that none of the motorhome types performed better in August 1988 than in August 1987. *(See Figure 3.)* Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

COMPARISON OF AUGUST 1986-88 RV SHIPMENTS

(Adjusted for seasonal variation)

	1986	1987	1988
Total RVs	30,620	35,220	37,950
Travel Trailers:			
Conventional	4,410	5,130	5,140
Park Models	740	630	520
Fifth-wheels	1,870	2,420	2,750
Folding Camping Trailers	2,870	3,520	3,510
Truck Campers	600	900	1,000
Motorhomes:			
Class A	2,640	3,710	3,320
Class B Van Campers	440	990	550
Class C:			
Minis	1,630	1,950	1,850
Low Profiles	270	200	130
Micro-minis	470	190	190
Multiuse Van Conversions	14,670	15,590	18,980

Detail may not add to total because of rounding.

Figure 3

MARKET SHARE BY TYPE OF UNIT

(Year-to-date, adjusted for seasonal variation)

	1988	1987
Total RVs	100.00	100.00
Travel Trailers:		
Conventional	14.08	15.01
Park Models	1.82	1.69
Fifth-wheels	7.50	6.56
Folding Camping Trailers	10.04	10.25
Truck Campers	2.60	2.48
Motorhomes:		
Class A	9.76	9.99
Class B Van Campers	1.24	1.68
Class C:		
Minis	4.99	5.19
Low Profiles	0.48	0.60
Micro-minis	0.61	1.01
Multiuse Van Conversions	46.88	45.55

Detail may not add to total because of rounding.

Figure 2

RV SHIPMENTS BY TYPE OF UNIT

(Adjusted for seasonal variation)

TYPE OF UNITS	AUGUST 1988	PERCENT CHANGE FROM JULY	YEAR-TO-DATE 1988	YEAR-TO-DATE 1987	PERCENT CHANGE
Total RVs	37,950	14.0	276,890	262,450	5.5
Travel Trailers:					
Conventional	5,140	12.4	38,970	39,400	-1.1
Park Models	520	-17.8	5,040	4,420	14.0
Fifth-wheels	2,750	21.5	20,780	17,220	20.7
Folding Camping Trailers	3,510	7.3	27,790	26,890	3.4
Truck Campers	1,000	7.4	7,200	6,510	10.6
Motorhomes:					
Class A	3,320	-3.7	27,020	26,210	3.1
Class B Van Campers	550	25.9	3,430	4,410	-22.2
Class C:					
-Minis	1,850	23.4	13,820	13,620	1.5
-Low Profiles	130	8.6	1,340	1,570	-14.9
-Micro-minis	190	-50.1	1,690	2,650	-36.2
Multiuse Van Conversions	18,980	20.7	129,810	119,550	8.6

Note: Percentages are computed from unrounded data.

Figure 4

DROUGHT REFLECTED IN JULY MARKET DECLINE

THOMAS WALWORTH

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

This past summer, a number of RV industry members called to ask if the drought was hurting the industry. Based on the sales figures for July, which was in the middle of that dry spell, the drought certainly did not help the industry. Indeed, we believe that the drought was one of the factors that added to a market decline in July.

For example, the motorhome market had a nationwide decrease of 11.2% in sales for this July compared with July 1987. However, on a year-to-date basis, motorhome sales were still up 5.14% this July over the same seven-month period of '87.

The ranking of regions by the percent change in this year's July motorhome sales from July 1987 is shown in Figure 1. Within the highest-ranked Northeast region, Maine had the largest percent increase in motorhome sales. In the lowest-ranked South Atlantic region, Delaware reported the largest percent decline.

For the year-to-date, the seven national regions are ranked in terms of percent change from last year's period in Figure 2. Alaska had the largest positive percent change in motorhome sales for the top Pacific region. In the bottom South Atlantic area, Florida experienced the largest percent drop for the year-to-date.

Meanwhile, the RV-trailer market reported a 4.5% decline in unit sales in July compared with the same month last year. Year-to-date, RV-trailer figures still showed a 3.78% increase in July over the same period a year ago.

The motorhome market decreased 11.2% in sales compared with July '87.

A ranking of regions based on the percent change in this year's July RV-trailer sales from July '87 is detailed in Figure 3. Among the Northeastern states, Massachusetts recorded the largest positive percent change in RV-trailer sales for the month. In the Mountain region, the state of Nevada scored the largest percent decline from July 1987.

As shown in Figure 4, the West North Central region led six other regions ranked by the percent change in January-to-July

MOTORHOME MARKET

July '88 Rank	Region	% of Change From July '87	June '88 Rank
1	3.13	4	
2	Mountain	– 6.09	1
3	E.N. Central	– 6.16	3
4	S. Central	– 12.18	5
5	W.N. Central	– 12.50	7
6	Pacific	– 14.25	2
7	S. Atlantic	– 20.40	6

Figure 1

MOTORHOME MARKET

July '88 Year-to-Date Rank	Region	% of Change Year-to-Date	July '88 Rank
1	Pacific	11.77	1
2	Mountain	11.47	2
3	Northeast	6.86	4
4	E.N. Central	5.33	3
5	W.N. Central	1.04	5
6	S. Central	– 2.50	6
7	S. Atlantic	– 5.26	7

Figure 2

RV-TRAILER MARKET

July '88 Rank	Region	% of Change From July '87	June '88 Rank
1	Northeast	8.76	4
2	W.N. Central	.42	1
3	S. Central	– 2.80	2
4	Pacific	– 7.80	5
5	E.N. Central	– 8.20	7
6	S. Atlantic	– 9.41	3
7	Mountain	– 13.20	6

Figure 3

GRAPHICS: CUSTOM COLOR VISUALS

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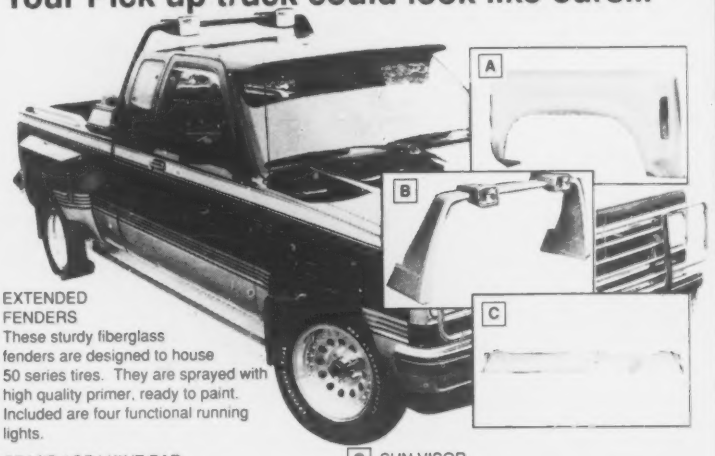

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AT RETAIL *continued*

RV-TRAILER MARKET

July '88 Year-to-Date Rank	Region	% of Change Year-to-Date	June '88 Rank
1	W.N. Central	12.95	2
2	Northeast	12.25	3
3	Mountain	12.20	1
4	Pacific	2.50	4
5	S. Central	1.25	5
6	E.N. Central	.26	6
7	S. Atlantic	– 5.00	7

Figure 4

sales compared with the same period last year. In that West North Central region, Nebraska had the greatest percent increase. In contrast, Florida recorded the largest (10.7%) decline in RV-trailer sales in the lowest-ranked South Atlantic area.

The July data indicated that some of the Northern markets, which normally have a strong sales season in the summer months, experienced a slower season this July. Because all other signs are positive, this is probably an indication that the industry may be set for a longer buying season in those Northern markets this year. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

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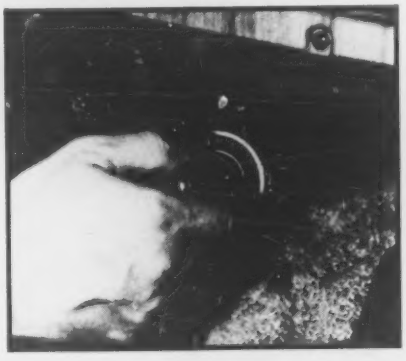

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ECONOMIC GROWTH TO SLOW IN 1989

ROBERT J. EGGERT SR.

In the Blue Chip Consensus' October 1988 forecast, year-over-year inflation-adjusted economic growth for 1989 was seen to be 2.5%. This was in sharp contrast to a predicted 4% gain in the output of all goods and services in the United States for this year.

When we polled our Blue Chip economists in July 1987 on factors that they expected to fuel economic growth in 1988, the two top vote-getters were "dollar down – exports up" and "capital spending turnaround." While right on the money, both outperformed earlier expectations, and both were expected to continue strong. However, the economic steroids of debt – international, federal, corporate and household – were a major factor in the group's more conservative look ahead this October (4% percent growth in 1988 vs. 2.5% in 1989).

Yes, a possible recession looms in 1989 or 1990, but clearly not a depression.

'89 Inflation to Be Double Growth

Our group of 51 economists' latest look at inflation in 1989 was shaded back a bit from earlier forecasts but still was in the near-5% range. The slide in oil prices and recent weakening in farm commodities and gold prices may have lulled some into the belief that the inflationary threat was easing. Not so, said the majority of the group – at least not until late in '89.

Interest Rates Up Through Mid-'89

The continued threat of inflation and the strong demand for funds were expected to push interest rates high through mid-1989. After that, as the economy weakens and inflationary pressures ease, rates were expected to drift lower. Treasury bills (three-month) were predicted to be back down by half a percentage point from next spring's peak, and new-home mortgage rates were forecast to return to current levels.

Long-Range Economic Trends

At this time of year, we repeat our popular semiannual (March and October) survey of long-range economic projections. In the chart below, you will find projections for the years 1990 through 1994 and five-year averages for 1990-94 and 1995-99. Here are the five-year consensus projections for three key variables out of a total of 15 parameters:

	Actual '87	Forecasts '88	'89	Projections 1990-94	1995-99
Variable	% Change Full Year-Over-Prior Year				
Real GNP	3.4	4.0	2.5	2.6	2.7
GNP Implicit Deflator	3.3	3.3	4.4	4.2	4.0
CPI	3.6	4.1	4.9	4.4	4.3

The above article was written by Robert J. Eggert Sr., president of Eggert Economic Enterprises Inc., whose unique forecasting method derives from his monthly telephone polling of some 75 top economists. He reports what they say individually and gives a consensus of not only the current year but the year ahead as well. His address is P.O. Box 1569, Sedona, Ariz. 86336; or phone toll free, (800) 872-2000, ext. 653.

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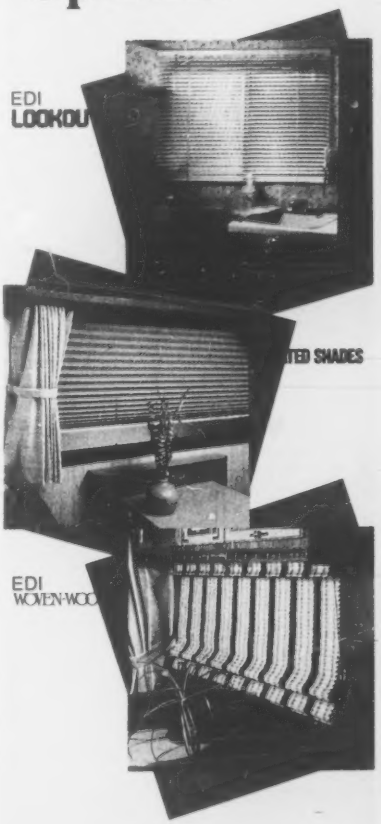

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